

Message Text

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C O N F I D E N T I A L BRUSSELS 00854

E.O. 11652: GDS

TAGS: EFIN, LU, BE

SUBJECT: BELGIUM-LUXEMBOURG FINANCIAL RELATIONS

REF: LUXEMBOURG 36

1. IN CONVERSATION JANUARY 29, GEORGES JANSON, (DIRECTOR OF BANQUE NATIONALE SPECIALIZING IN INTERNATIONAL AFFAIRS) AND P. THUYSBAERT (MEMBER OF FONMIN'S CABINET SPECIALIZING IN INTERNATIONAL ECONOMIC AFFAIRS) CONFIRMED THERE WAS STRAIN WITHIN THE BLEU OVER FINANCIAL QUESTIONS.

2. ACCORDING TO THUYSBAERT, THE BLEU AGREEMENT WAS LAST REVISED IN 1962 WHEN ECONOMIC CIRCUMSTANCES WERE VERY DIFFERENT AND, IN PARTICULAR, BEFORE LUXEMBOURG BECAME AN IMPORTANT EUROPEAN FINANCIAL CENTER. NOW THAT LUXEMBOURG IS A MUCH MORE IMPORTANT FINANCIAL CENTER THAN IS BRUSSELS, THUYSBAERT SAID THE BELGIAN GOVERNMENT REALIZES THAT THE NEW SITUATION CALLS FOR A RE-EXAMINATION OF THE FINANCIAL ASPECTS OF THE BLEU AGREEMENT. AT THE SAME TIME, BELGIUM FEELS THAT IN THE TOTALITY OF THE BLEU, LUXEMBOURG MUST CONTINUE TO RECOGNIZE THE PREEMINENT IMPORTANCE OF THE LARGER BELGIAN ECONOMY.

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3. JANSON POINTED OUT THAT BELGIAN FIRMS JOIN WITH BELGIAN BANKS TO USE (LEGALLY) THE FACT THAT LUXEMBOURG DOES NOT WITHHOLD TAXES ON DIVIDENDS AND SIMILAR PAYMENTS TO ASSIST BELGIANS IN GETTING AROUND BELGIAN TAX LAWS. THIS IS PARTICULARLY IMPORTANT RIGHT NOW SINCE THE PRESENT BELGIAN GOVERNMENT HAS MADE MUCH OF ITS EAGERNESS TO MINIMIZE TAX EVASION.

4. IN ADDITION, RESTRICTIVE MONETARY POLICIES PUT FORWARD BY THE BANQUE NATIONALE ARE CIRCUMVENTED BY BELGIAN BANKS OPERATING IN LUXEMBOURG. SINCE THERE IS NO EXCHANGE RISK BETWEEN THE LUXEMBOURG FRANC AND THE BELGIAN FRANC, BELGIUM CANNOT SUCCESSFULLY ENFORCE ITS MONETARY REGULATIONS UNLESS LUXEMBOURG COOPERATES.

5. BOTH JANSON AND THUYSBAERT AGREED THAT THE UPCOMING FEBRUARY TALKS BETWEEN BELGIUM AND LUXEMBOURG ON FINANCIAL MATTERS COULD WELL RE-OPEN A DISCUSSION OF THE FULL RANGE OF ECONOMIC RELATIONSHIPS. IF THE LUXEMBOURGERS REMAIN UNYIELDING ON FINANCIAL PROBLEMS, BELGIUM IS LIKELY TO BROADEN THE DISCUSSIONS TO INCLUDE ALL ECONOMIC PROBLEMS BETWEEN THE TWO COUNTRIES. RENNER

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